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**ENGROSSED SUBSTITUTE HOUSE BILL 1053**

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**State of Washington**

**58th Legislature**

**2003 Regular Session**

**By** House Committee on State Government (originally sponsored by Representatives Miloscia, Armstrong, Haigh, Simpson, Schoesler, Quall, O'Brien, Kirby, Cox, Eickmeyer, Berkey, McCoy, Ruderman, Hatfield, Sullivan, Morris, Linville, Ahern, Veloria, Bush, Conway, Dickerson, Lovick, Fromhold, Dunshee, Gombosky, Kenney, Kagi, Schual-Berke and Campbell)

READ FIRST TIME 01/23/03.

1       AN ACT Relating to government accountability; adding new sections  
2 to chapter 43.09 RCW; adding a new section to chapter 44.28 RCW; adding  
3 a new section to chapter 43.88 RCW; adding new sections to chapter  
4 43.131 RCW; and creating new sections.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6       NEW SECTION.   **Sec. 1.** The legislature finds that:

7       (1) Public confidence in government is essential. Public programs  
8 must continuously improve in quality, efficiency, and effectiveness in  
9 order to increase public trust;

10       (2) Washington state government and other entities that receive tax  
11 dollars must continuously improve the way they operate and deliver  
12 services so citizens receive maximum value for their tax dollars;

13       (3) An independent citizen oversight board is necessary to  
14 establish an annual assessment and performance grading program to  
15 ensure that government services, customer satisfaction, program  
16 efficiency, and management systems are world class in performance; and

17       (4) Fair, independent, professional performance audits of state  
18 agencies by the state auditor are essential to improving the efficiency  
19 and effectiveness of government.

1        NEW SECTION.    **Sec. 2.**    A new section is added to chapter 43.09 RCW  
2 to read as follows:

3        For purposes of sections 3 through 6 of this act:

4        (1) "Board" means the citizen oversight board created in section 3  
5 of this act.

6        (2) "Draft work plan" means the work plan for conducting  
7 performance audits of state agencies proposed by the board and state  
8 auditor after the statewide performance review.

9        (3) "Final performance audit report" means a written document  
10 jointly released by the citizen oversight board and the state auditor  
11 that includes the findings and comments from the preliminary  
12 performance audit report.

13        (4) "Final work plan" means the work plan for conducting  
14 performance audits of state agencies adopted by the board and state  
15 auditor.

16        (5) "Performance audit" means an objective and systematic  
17 assessment of a state agency or any of its programs, functions, or  
18 activities by an independent evaluator in order to help public  
19 officials improve efficiency, effectiveness, and accountability.  
20 Performance audits include economy and efficiency audits and program  
21 audits.

22        (6) "Preliminary performance audit report" means a written document  
23 prepared after the completion of a performance audit to be submitted  
24 for comment before the final performance audit report. The preliminary  
25 performance audit report must contain the audit findings and any  
26 proposed recommendations to improve the efficiency, effectiveness, or  
27 accountability of the state agency being audited.

28        (7) "State agency" or "agency" means a state agency, department,  
29 office, officer, board, commission, bureau, division, institution, or  
30 institution of higher education. "State agency" includes all elective  
31 offices in the executive branch of state government.

32        NEW SECTION.    **Sec. 3.**    A new section is added to chapter 43.09 RCW  
33 to read as follows:

34        (1) The citizen oversight board is created to improve efficiency,  
35 effectiveness, and accountability in state government.

36        (2) The board shall consist of seven members as follows:

1 (a) One member shall be the state auditor, who shall be a nonvoting  
2 member;

3 (b) One member shall be the chair of the joint legislative audit  
4 and review committee, who shall be a nonvoting member;

5 (c) Four of the members shall be selected by the governor as  
6 follows: Each major caucus of the house of representatives and the  
7 senate shall submit a list of three names. The lists may not include  
8 the names of members of the legislature. The governor shall select a  
9 person from each list provided by each caucus; and

10 (d) The governor shall select the fifth member.

11 (3) The board shall elect a chair. Neither the chair of the joint  
12 legislative audit and review committee nor the state auditor may serve  
13 as chair.

14 (4) Appointees shall be individuals who have a basic understanding  
15 of state government operations with knowledge and expertise in  
16 performance management, quality management, strategic planning,  
17 performance assessments, or closely related fields.

18 (5) Appointed members shall serve for terms of four years, with the  
19 terms expiring on June 30th on the fourth year of the term. However,  
20 in the case of the initial members, two members shall serve four-year  
21 terms, two members shall serve three-year terms, and one member shall  
22 serve a two-year term, with each of the terms expiring on June 30th of  
23 the applicable year. Appointees may be reappointed to serve more than  
24 one term.

25 (6) The joint legislative audit and review committee shall provide  
26 clerical, technical, and management personnel to the board to serve as  
27 the board's staff.

28 (7) The board shall meet at least once a quarter and may hold  
29 additional meetings at the call of the chair or by a majority vote of  
30 the members of the board.

31 (8) The members of the board shall be compensated in accordance  
32 with RCW 43.03.220 and reimbursed for travel expenses in accordance  
33 with RCW 43.03.050 and 43.03.060.

34 NEW SECTION. **Sec. 4.** A new section is added to chapter 44.28 RCW  
35 to read as follows:

36 (1) The citizen oversight board, created in section 3 of this act,  
37 shall establish an annual assessment and performance grading program.

1 The program shall consist of conducting annual performance assessments  
2 and grading state agency performance. Assessments shall be implemented  
3 on a phased-in schedule. Initial areas to be assessed shall include  
4 quality management, productivity and fiscal efficiency, program  
5 effectiveness, contract management and oversight, internal audit,  
6 internal and external customer satisfaction, statutory and regulatory  
7 compliance, and technology systems and on-line services. As part of  
8 this program, the board shall:

9 (a) Consult with and seek input from elected officials, state  
10 employees, and professionals with a background in performance  
11 management for establishing the grading standards. In developing the  
12 criteria, the board shall consider already developed best practices and  
13 audit criteria used by government or nongovernment organizations.  
14 Before the assessment, the agencies shall be given the criteria for the  
15 assessment and the standards for grading; and

16 (b) Contract or partner with public or private entities that have  
17 expertise in public sector reviews and/or technical expertise in  
18 individual assessment areas to perform the assessments and grading of  
19 all state agencies. The board may contract or partner with more than  
20 one entity for different assessment areas.

21 (2) The board shall submit the results of the assessment and  
22 grading program to the governor, the office of financial management,  
23 appropriate legislative committees, and the public by December 15th of  
24 each year. The results of the annual assessments and performance  
25 grading shall be posted on the internet.

26 (3) The definitions in section 2 of this act apply to this section.

27 NEW SECTION. **Sec. 5.** A new section is added to chapter 43.09 RCW  
28 to read as follows:

29 (1) The board and the state auditor shall work together regarding  
30 performance audits of state government.

31 (2) The board shall establish criteria for performance audits.  
32 Agencies shall be audited using criteria that include generally  
33 accepted government auditing standards as well as legislative mandates  
34 and performance objectives established by state agencies. Mandates  
35 include, but are not limited to, agency strategies, time lines, program  
36 objectives, and mission and goals as required in RCW 43.88.090.

37 (3) Using the criteria developed in subsection (2) of this section,

1 the board and the state auditor shall complete a statewide performance  
2 review within one year of contracting as a preliminary to a draft work  
3 plan for conducting performance audits. The board and the state  
4 auditor shall develop a schedule and common methodology for conducting  
5 these reviews.

6 (4) The board and the state auditor shall develop the draft work  
7 plan for performance audits based on input from citizens, state  
8 employees, state managers, the joint legislative audit and review  
9 committee, public officials, and others. The draft work plan may  
10 include a list of agencies, programs, or systems to be audited on a  
11 time line decided by the board and the state auditor based on a number  
12 of factors including risk, importance, and citizen concerns. All  
13 audits shall be designed to be completed within a six-month period.

14 (5) Before adopting the final work plan, the board shall consult  
15 with the legislative auditor and other appropriate oversight and audit  
16 entities to coordinate work plans and avoid duplication of effort in  
17 their planned performance audits of state government agencies. The  
18 board shall defer to the joint legislative audit and review committee  
19 work plan if a similar audit is included on both work plans for  
20 auditing. The final work plan must be agreed upon by the board and the  
21 state auditor.

22 (6) The state auditor shall contract out for performance audits.  
23 In conducting the audits, agency front-line employees and internal  
24 auditors should be involved. The audits may include an evaluation of:

25 (a) Identification of programs and services that can be eliminated,  
26 reduced, consolidated, or enhanced;

27 (b) Identification of funding sources to the state agency, to  
28 programs, and to services that can be eliminated, reduced,  
29 consolidated, or enhanced;

30 (c) Analysis of gaps and overlaps in programs and services and  
31 recommendations for improving, dropping, blending, or separating  
32 functions to correct gaps or overlaps;

33 (d) Analysis and recommendations for pooling information technology  
34 systems used within the state agency, and evaluation of information  
35 processing and telecommunications policy, organization, and management;

36 (e) Analysis of the roles and functions of the state agency, its  
37 programs, and its services and their compliance with statutory

1 authority and recommendations for eliminating or changing those roles  
2 and functions and ensuring compliance with statutory authority;

3 (f) Recommendations for eliminating or changing statutes, rules,  
4 and policy directives as may be necessary to ensure that the agency  
5 carry out reasonably and properly those functions vested in the agency  
6 by statute;

7 (g) Verification of the reliability and validity of agency  
8 performance data, self-assessments, and performance measurement systems  
9 as required under RCW 43.88.090;

10 (h) Identification of potential cost savings in the state agency,  
11 its programs, and its services;

12 (i) Identification and recognition of best practices;

13 (j) Evaluation of planning, budgeting, and program evaluation  
14 policies and practices;

15 (k) Evaluation of personnel systems operation and management;

16 (l) Evaluation of state purchasing operations and management  
17 policies and practices; and

18 (m) Evaluation of organizational structure and staffing levels,  
19 particularly in terms of the ratio of managers and supervisors to  
20 nonmanagement personnel.

21 (7) The state auditor and the board may develop a grading system  
22 for the audits. The audit report may include the agency grade,  
23 evaluation and identification of best practices, and findings and  
24 recommendations for efficiency and effectiveness of state programs.  
25 The board and the state auditor shall examine a system for grading the  
26 audits. The board shall report its findings to the legislature by  
27 December 31, 2003.

28 (8) The state auditor must solicit comments on preliminary  
29 performance audit reports from the audited state agency, the office of  
30 the governor, the office of financial management, the board, and the  
31 joint legislative audit and review committee for comment. Comments  
32 must be received within thirty days after receipt of the preliminary  
33 performance audit report unless a different time period is approved by  
34 the state auditor. All comments shall be incorporated into the final  
35 performance audit report. The final audit report shall include the  
36 objectives, scope, and methodology; the audit results, including  
37 findings and recommendations; conclusions; and identification of best  
38 practices.

1 (9) The final reports shall be submitted to the board by the state  
2 auditor. The board and the state auditor shall jointly release final  
3 reports to the citizens of Washington, the governor, and the  
4 appropriate legislative committees. Final performance audit reports  
5 shall be posted on the internet.

6 NEW SECTION. **Sec. 6.** A new section is added to chapter 43.88 RCW  
7 to read as follows:

8 In addition to the authority given the state auditor in RCW  
9 43.88.160(6), the state auditor is authorized to conduct performance  
10 audits identified in section 5 of this act.

11 NEW SECTION. **Sec. 7.** A new section is added to chapter 43.131 RCW  
12 to read as follows:

13 The citizen oversight board created in section 3 of this act and  
14 its powers and duties shall be terminated June 30, 2010, as provided in  
15 section 8 of this act. The joint legislative audit and review  
16 committee shall contract with a private entity for the review in this  
17 section.

18 NEW SECTION. **Sec. 8.** A new section is added to chapter 43.131 RCW  
19 to read as follows:

20 The following acts or parts of acts, as now existing or hereafter  
21 amended, are each repealed, effective June 30, 2011:

- 22 (1) Section 2 of this act;
- 23 (2) Section 3 of this act;
- 24 (3) Section 4 of this act;
- 25 (4) Section 5 of this act; and
- 26 (5) Section 6 of this act.

27 NEW SECTION. **Sec. 9.** If specific funding for the purposes of this  
28 act, referencing this act by bill or chapter number, is not provided by  
29 June 30, 2003, in the omnibus appropriations act, this act is null and  
30 void.

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